

Message Text

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12

ACTION ARA-20

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 NIC-01 EB-11 COME-00 STR-08 AGR-20

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R 101928Z MAY 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6412

INFO AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

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TAGS: ECON, AR, PL, UR

SUBJECT: ARGENTINE ECONOMIC AGREEMENTS WITH USSR AND POLAND

REF: A. BA 3130, B. MOSCOW 6888

1. SUMMARY. VISIT OF ARGENTINE ECONOMIC MISSION TO EAST EUROPE REPORTEDLY HAS RESULTED IN CONCLUSION IMPORTANT NEW ECONOMIC AGREEMENTS WITH USSR AND POLAND. ACTUAL TEXTS OF AGREEMENTS STILL UNKNOWN, BUT ARGENTINE PRESS NOTES USSR HAS GRANTED ARGENTINA MAJOR NEW 600 MILLION DOLLAR CREDIT PRIMARILY FOR PURCHASE OF ELECTRIC POWER GENERATING EQUIPMENT. AGREEMENTS ALSO CALL FOR SIZABLE ARGENTINE PURCHASES OF RUSSIAN PETROLEUM DRILLING AND REFINING EQUIPMENT. SOVIET STATE TRADING ENTITIES ARE SUPPOSED TO SIGNIFICANTLY EXPAND PURCHASE OF ARGENTINE EXPORTS INCLUDING MEAT. OTHER AGREEMENTS REPORTEDLY

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COVER FISHING, PORT CONSTRUCTION, AND AIR AND MARITIME

SERVICE.

POLAND REPORTEDLY HAS GRANTED ARGENTINA 150 MILLION DOLLAR CREDIT FOR PURCHASE OF FISHING, MINING AND RAILWAY EQUIPMENT AND HEAVY MACHINERY. NEGOTIATIONS IN POLAND ALSO COVERED POLISH PARTICIPATION IN FISHING ENTERPRISE IN SOUTH ARGENTINA AND POLISH CONTRIBUTION TO RIO TURBIO COAL MINING OPERATION. END SUMMARY.

2. SOVIET AGREEMENTS

ACCORDING TO PRESS ACCOUNTS, USSR HAS GRANTED ARGENTINA IMPORTANT NEW 600 MILLION DOLLAR CREDIT PRIMARILY FOR PURCHASE OF ELECTRIC POWER GENERATING EQUIPMENT. TERMS ARE 10 YEARS, 4.5 PERCENT INTEREST, TWO YEAR GRACE PERIOD. FIRST MAJOR EQUIPMENT PURCHASES WILL BE ABOUT \$70 MILLION FOR SALTO GRANDE HYDROELECTRIC PROJECT ON URUGUAY RIVER. CREDIT COULD ALSO BE USED TO PAY FOR PURCHASES OF RUSSIAN EQUIPMENT IN OTHER PROJECTS INCLUDING EL CHOCON HYDROELECTRIC PLANT, ALICURA, AND TWO THERMOELECTRIC STATIONS IN LA PLATA AND ROSARIO. PRESS ACCOUNTS SAY AGREEMENT REACHED THAT RUSSIANS WILL PROVIDE 300,000 KW THERMOGENERATOR TO EXPAND SAN NICOLAS THERMAL ELECTRIC PLANT IN BUENOS AIRES PROVINCE.

REPORTEDLY, AGREEMENT ALSO REACHED FOR SIGNIFICANT ARGENTINE PURCHASES RUSSIAN PETROLEUM EQUIPMENT. ACCORDING PRESS, ARGENTINES WILL PURCHASE CATALYTIC CRACKING FACILITY, WORTH ABOUT 70 MILLION DOLLARS, FOR YPF REFINERY IN ENSENADA. ARGENTINES ALSO WILL PURCHASE ENTIRE NEW REFINERY FOR INSTALLATION IN BAHIA BLANCA REGION, AS WELL AS DRILLING EQUIPMENT TO EXPAND PRODUCTION.

REPORTEDLY, USSR STATE ENTITIES HAVE AGREED TO SIGNIFICANT NEW PURCHASES ARGENTINE EXPORTS INCLUDING MEAT, RICE, APPLES FROM RIO NEGRO AREA AND FRUIT JUICE CONCENTRATES. ADDITIONAL MEAT PURCHASES MAY INCLUDE FRESH MEAT THUS HELPING OFFSET SHORTFALL TO EUROPE. SOVIETS ALSO AGREED TO BUY ARGENTINE MANUFACTURED PRODUCTS IN PARTIAL REPAYMENT FOR CAPITAL EQUIPMENT EXPORTS.

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IN ADDITION, AGREEMENTS REPORTEDLY REACHED IN OTHER AREAS. LINKS WITH COMECON WILL BE STRENGTHENED, TO PERMIT BETTER COORDINATION SOCIALIST COUNTRY TRADE AND ASSISTANCE. PROGRESS ON MARITIME TRANSPORTATION NOTED WITH NEW MEETING SCHEDULED JULY. AEROLINEAS ARGENTINAS AND AEROFLOT TO ESTABLISH OFFICES IN RESPECTIVE CAPITALS WITH ULTIMATE OBJECTIVE OF INITIATING SERVICE BETWEEN MOSCOW AND

BUENOS AIRES. SOVIETS TO ASSIST ARGENTINA IN OBTAINING MATERIALS IN SHORT SUPPLY. REPORTEDLY, AGREEMENTS ALSO REACHED COVERING POSSIBLE SOVIET PARTICIPATION IN FISHING AND PORT CONSTRUCTION PROJECTS.

3. POLISH AGREEMENTS

ACCORDING PRESS, ARGENTINA AND POLAND TERMINATING NEGOTIATIONS ON 150 MILLION DOLLAR POLISH CREDIT TO ARGENTINA FOR PURCHASE OF POLISH FISHING, MINING AND RAILWAY EQUIPMENT AS WELL AS OTHER HEAVY MACHINERY. SEVENTY-FIVE PERCENT OF CREDIT SUPPOSED TO BE PAID BY ARGENTINE EXPORTS TO POLAND.

PRESS STATES POLAND AND ARGENTINA EXPECTED TO SIGN AGREEMENT ON JOINT FISHING VENTURE IN SOUTH ARGENTINA WITH POLAND CONTRIBUTING 49 PERCENT CAPITAL OR ABOUT 24.5 MILLION DOLLARS. AGREEMENT ALSO EXPECTED FOR IMPORTANT POLISH CONTRIBUTION TO RIO TURBIO COAL MINING OPERATION.

4. COMMENT. RUSSIAN AND POLISH AGREEMENTS HAVE RECEIVED MAJOR PRESS AND NEWS COVERAGE HERE. SOME IMPORTANT SUBSTANCE NOW APPEARS TO BE RESULTING FROM ARGENTINE COURTSHIP OF BLOC COUNTRIES. EMBASSY WILL TRANSMIT MORE DETAILED INFORMATION FOLLOWING ANALYSIS OF AGREEMENTS.
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